

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

IN RE	X	CASE NO. 22-33691
	X	
USA ROOFING PARTNERS, LLC	X	
	X	
DEBTOR	X	CHAPTER 11

**RESPONSE OF RUTH LAKE INVESTMENT GROUP, LLC IN OPPOSITION TO  
DEBTOR’S EMERGENCY MOTION FOR PRELIMINARY AND INTERIM USE OF  
CASH COLLATERAL**

TO THE HONORABLE JEFFREY P. NORMAN, JUDGE,  
UNITED STATES BANKRUPTCY COURT:

Now comes, Ruth Lake Investment Group, LLC, and files this its Response in Opposition to Debtor’s Emergency Motion For Preliminary and Interim Use of Cash Collateral (hereinafter "Response"), and in support thereof, would show the Court as follows:

1. On December 9, 2022, USA Roofing Partners, LLC, et al (hereinafter “Debtor”) filed this Chapter 11 bankruptcy case.

2. On December 7, 2021, the Debtor and Ruth Lake Investment Group, LLC (hereinafter “Ruth Lake”) entered into a Factoring Agreement, a copy of which attached hereto as Exhibit “A”, pursuant to which Ruth Lake filed a UCC-1 perfecting its liens in the Debtor’s accounts, equipment, inventory and general intangibles, which is attached hereto as Exhibit “B”.

3. The Debtor has been in default under the Factoring Agreement pre-petition for an extended period and has made no effort to cure its defaults to Ruth Lake.

4. On December 16, 2022, a week after the bankruptcy filing, the Debtor filed its Emergency Motion For Preliminary and Interim Use of Cash Collateral (hereinafter “Motion”).

5. On December 16, 2022, the Debtor also filed its Emergency Motion For Order Authorizing Payment of Pre-Petition Payroll Obligations. The Debtor asserts it must pay its payroll to insiders - Cullen Howard - \$5,000.00, Koby Howard - \$1,500.00 and Kevin Jones - \$2,500.00 by December 23, 2022. Kevin Jones testified in the State Court lawsuit that his wife worked and he did not need an income to get by. From a review of financials the Debtor filed with the Court, the Debtor also makes expensive truck payments for the Debtor’s insiders, as well as a Note on a boat with a balance owing in excess of \$60,000.00 and personal credit cards belonging to the insiders individually.

6. The Motion was not filed until a week after the bankruptcy filing, with the most urgent item needing to be paid being the salaries to the Debtor’s insiders (\$9,000.00 twice a month).

7. From reviewing the Balance Sheet as of December 14, 2007 filed by the Debtor in this case, the claim of Ruth Lake was scheduled in the amount of \$287,200.00 , far below the amount asserted by Ruth Lake in a State Court receivership lawsuit filed by Ruth Lake, a copy of which

Petition is attached hereto as Exhibit “C”, which was filed on October 18, 2022, and asserted Ruth Lake’s claim against the Debtor in the amount of \$777,020.08.

8. Ruth Lake alleged in the State Court receivership lawsuit that the Debtor sold it a fraudulent invoice from Structura, Inc. Attached hereto as Exhibit “D” is a copy of an Affidavit from Kevin M. Jones of Structura regarding the account which was sold by the Debtor to Ruth Lake not being a valid invoice.

9. Ruth Lake also alleged in the State Court receivership lawsuit that the Debtor sold Ruth Lake three (3) separate invoices from Triad totaling the amount of \$484,224.87, which invoices apparently had been encumbered by the Debtor prior to their sale to Ruth Lake. In fact, the Debtor received payment on the Triad Invoices and Kevin Jones admitted on the stand in the State Court lawsuit that the Debtor kept the money to pay other bills instead of paying the money to Ruth Lake who rightfully owned the invoices.

10. The Judge in the State Court lawsuit also ordered that the Debtor make its books and records available to Ruth Lake, which the Debtor failed to do. In fact, the Debtor filed this bankruptcy case about thirty (30) minutes prior to a hearing on Ruth Lake’s Motion to Compel the Debtor to make its books and records available to Ruth Lake. The Debtor has not made an offer to Ruth Lake to allow it to review the Debtor’s books and records to date.

11. The budget attached to the Motion provides very little detail of what the Debtor intends to use Ruth Lakes cash collateral for. There are categories of \$32,000.00 to subcontractors and \$30,000.00 for roofing materials. Ruth Lake needs to know more specifics about they expenses and what jobs they relate to.

12. The Motion requests that any unused amounts in any expense category in the budget be allowed to be used by the Debtor towards another category so long as the total amount of expenses is not exceeded. Ruth Lake opposes such use of its cash collateral in such a manner.

13. The Motion requests \$5,000.00 in cash collateral be used pay the to Debtor's counsel which Ruth Lake opposes.

14. Until Ruth Lake is provided with access to the Debtor's books and records and is able to properly evaluate the Debtor's true financial condition, Ruth Lake opposes the use of cash collateral other than proved by the Debtor to be essential in the interim period.

15. The Court ordered the Debtor to file its Schedules prior to the reset hearing on December 22, 2022 at 1:30 p.m. This should provide some helpful information to Ruth Lake, as well as other creditors of the Debtor. As of the filing of this Response, the Debtor has not filed its Schedules.

16. Without receiving adequate information regarding Defendant's emergency request for use of cash collateral, Ruth Lake is unable to determine whether it should consent to the Debtor's

use of its cash collateral. Perhaps a better solution would be to reset the hearing for a week or so to see if the Debtor can provide Ruth Lake with adequate information to evaluate this Motion. If such information is provided to Ruth Lake, the parties may be able to reach a resolution regarding the Debtor's use of cash collateral going forward.

17. Counsel for Ruth Lake reached out to the Debtor's counsel via telephone on December 20, 2022 and December 21, 2022 without success in an effort to attempt to resolve the issues related to the Motion.

Date: December 22, 2022.

Respectfully submitted,

/s/ William R. Davis, Jr.  
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**CERTIFICATE OF SERVICE**

I hereby certify that on December 22, 2022, a true and correct copy of the above and foregoing instrument was mailed, first class, postage prepaid to the attached notice list.

/s/ William R. Davis, Jr.  
WILLIAM R. DAVIS, JR.